

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7360**

**BILL NUMBER:** HB 1407

**NOTE PREPARED:** Jan 9, 2011

**BILL AMENDED:**

**SUBJECT:** Alternative Energy.

**FIRST AUTHOR:** Rep. Truitt

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires the Indiana Utility Regulatory Commission (IURC) to report to the Regulatory Flexibility Committee on the advanced energy resource market in Indiana. It requires an electricity supplier to comply with advanced energy resource standards by certain dates. It imposes compliance payments on an electricity supplier that fails to comply with the standards. This bill also establishes the Advanced Energy Compliance Account. It deposits the compliance payments in the account. It also provides that money in the account is continuously appropriated.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** *IURC:* This bill will increase the administrative expenditures of the IURC to the extent that the IURC conducts public hearings required for making a determination that an event beyond the reasonable control of an electricity supplier prevented that supplier from fulfilling the supplier's advanced energy resource requirements. The bill requires the IURC to report to the Regulatory Flexibility Committee on the advanced energy resource market in Indiana. The bill also requires the IURC to administer the Advanced Energy Compliance (AEC) Account (established by this bill). The increase in expenditures to the IURC from this provision will be totally offset by the required reimbursement from the AEC Account

*State & Local Utility Expenditures:* This bill could increase expenditures by state agencies for utilities to the extent that the requirement for complying with advanced energy resource standards increase utility rates. The overall impact on expenditures is indeterminable.

**Explanation of State Revenues:** *AEC Account:* This bill requires certain electricity suppliers that do not meet the advanced energy resource standards to pay a penalty equal to the number of megawatt hours of advanced energy that the electricity supplier was required but failed to supply multiplied by \$50. After CY

2013, the \$50 penalty would be adjusted for inflation. The penalties are required to be deposited in the AEC account.

The amount of penalties that may be collected is indeterminable. The amount of the penalty collections will depend on the number of electricity suppliers: (1) that fail to meet the bill's requirements; and (2) that were prevented from meeting these requirements due to events out of the control of the supplier. If the electricity supplier failed due to events out of the supplier's control, the IURC may extend the deadline after a public hearing.

*Utility Rates:* It is estimated that public and municipally owned utility rates could increase under the bill. To the extent that utility rates are affected by the provisions in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

*Background Information* - The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*.

**Explanation of Local Revenues:** See *Explanation of State Revenues*.

**State Agencies Affected:** IURC; All.

**Local Agencies Affected:** All.

**Information Sources:**

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